

Q3 2017



City of Upland Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Upland In Brief

Upland's receipts from July through September were 3.0% above the third sales period in 2016.

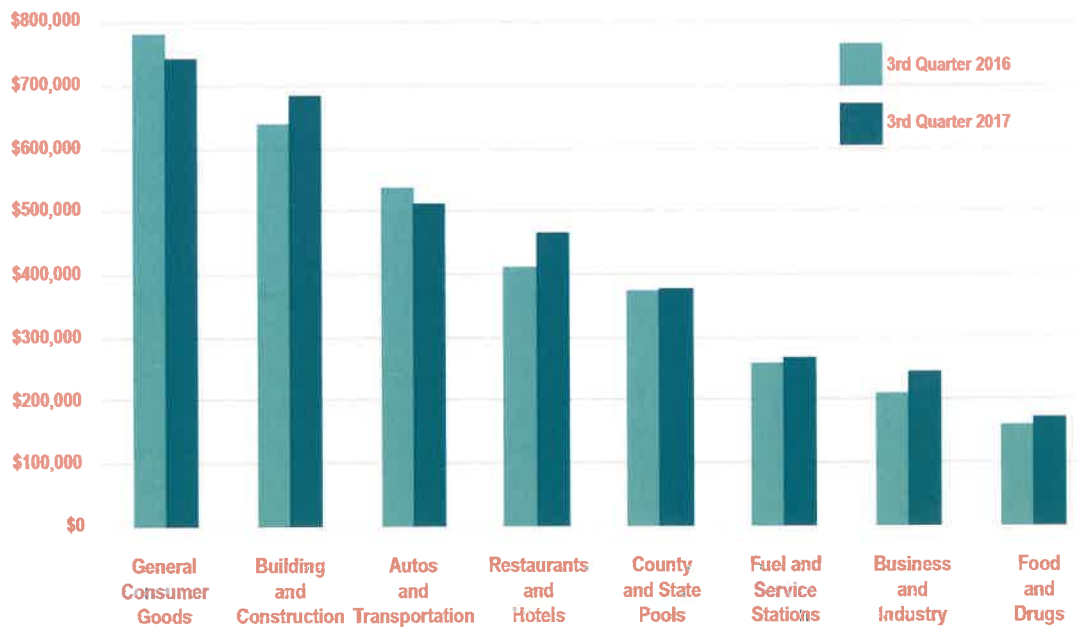
The restaurant group posted the largest cash gain as quick-service and fast casual outlets experienced strong sales; casual dining posted a modest increase during the quarter. Building and Construction was up 6.7% as all sectors were higher.

An accounting adjustment that depressed prior year results caused the gain in business and industry; overall sales were flat. A new grocery store and higher convenience store sales boosted food and drugs. Continued rising retail gas prices lifted service station sales, although returns were depressed by multiple payment anomalies. The City's allocation from the countywide use tax pool increased 0.9% over the prior year.

The gains were partially offset by lower returns from the automotive group and continued sluggish sales within the general retail sector.

Net of aberrations, taxable sales for all of San Bernardino County grew 5.2% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mountain View Chevrolet
Bed Bath & Beyond	New York Pizza Company
Chevron	Nordstrom Rack
Circle K	RV Spa
Daniel Mechanical	Sign Development
Dick's Sporting Goods	Stater Bros
Euclid Arco	Stellar Industrial Supply
Ford of Upland	Target
Holliday Rock	TJ Maxx
Home Depot	USA Gasoline
Kohls	Vons Gas
Lowe's	Walmart
Marshalls	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$6,020,237	\$6,180,089
County Pool	732,302	740,887
State Pool	2,052	800
Gross Receipts	\$6,754,591	\$6,921,776

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

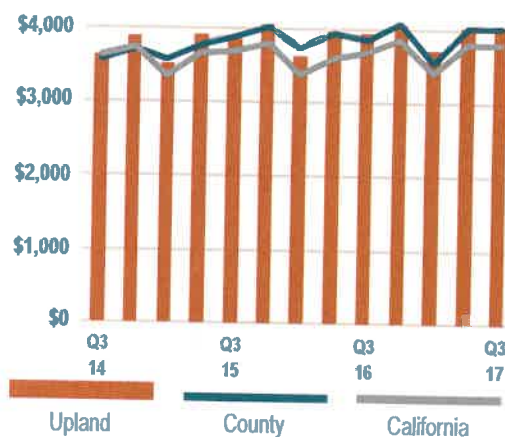
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

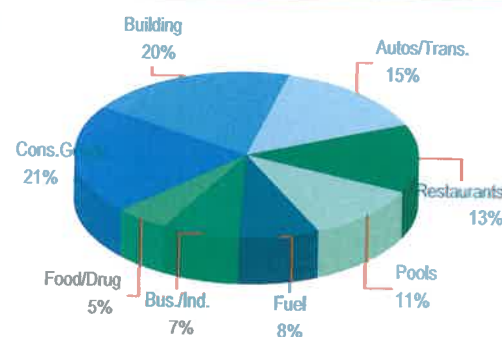
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Upland This Quarter



UPLAND TOP 15 BUSINESS TYPES

Business Type	Upland		County	HdL State
	Q3 '17*	Change	Change	Change
Building Materials	392.6	2.0%	6.4%	5.6%
Casual Dining	186.8	23.3%	3.1%	2.2%
Contractors	—	CONFIDENTIAL	9.5%	6.3%
Convenience Stores/Liquor	65.7	14.7%	6.8%	7.8%
Department Stores	75.2	-2.2%	-7.1%	-7.5%
Discount Dept Stores	—	CONFIDENTIAL	5.3%	6.1%
Electronics/Appliance Stores	64.2	-7.7%	12.3%	0.3%
Family Apparel	57.2	0.3%	3.0%	1.7%
Fast-Casual Restaurants	57.2	8.7%	4.1%	8.6%
Grocery Stores	79.8	9.3%	0.5%	0.6%
Light Industrial/Printers	61.5	14.0%	3.9%	-4.0%
New Motor Vehicle Dealers	340.8	-7.1%	3.3%	0.9%
Quick-Service Restaurants	203.1	6.8%	7.9%	4.8%
Service Stations	265.3	3.5%	8.2%	9.2%
Specialty Stores	121.2	6.1%	8.3%	2.3%
Total All Accounts	3,094.2	3.2%	5.6%	4.1%
County & State Pool Allocation	379.5	1.3%	3.6%	4.8%
Gross Receipts	3,473.7	3.0%	5.3%	4.2%

*In thousands of dollars